



Ministry
of
Revenue

Lorne Maeck
Minister

T. M. Russell
Deputy Minister

Retail Sales Tax Branch

Information Bulletin

Retail Sales Tax Act

Number 3-78

June, 1978

Government
Publication

This Bulletin contains information on the items highlighted below and further explains the information given in Retail Sales Tax Bulletins issued in March and April, 1978.

INFORMATION HIGHLIGHTS

- DELIVERY, HANDLING AND MAILING CHARGES
- GREENHOUSE OPERATORS
- STORM DOORS AND STORM WINDOWS
- SHEET METAL MANUFACTURERS
- RETURN CARD REVISIONS



DELIVERY, HANDLING AND MAILING CHARGES

Information Bulletin 1-78, March 8, 1978, explained that the definition of "fair value" in The Retail Sales Tax Act was being amended to include delivery, handling and mailing charges with transportation charges.

The amendment was made for clarification purposes since transportation costs and other charges have been part of the fair value of goods, upon which tax is calculated, since 1961. However, these charges are subject to tax only in certain circumstances and the amendment treats them on a uniform basis.

Foremost, it is important to note that if the goods being delivered are *exempt* to a purchaser or renter, then related charges such as delivery, transportation, handling and mailing are also exempt from tax.

Therefore, it is only in connection with purchases and deliveries of *taxable* goods that consideration has to be given to the tax status of delivery, transportation, handling and mailing charges.

Delivery or transportation charges become part of the fair value of taxable goods and are likewise taxable if:

- i) they are charged by the vendor to the purchaser; and
- ii) the goods become the property of the purchaser at a location other than the vendor's location and risk of loss in the goods is assumed by the purchaser at such other location.

Delivery or transportation charges can be excluded from the fair value of goods and exempt to a purchaser if:

- they are paid by the purchaser directly to someone who is not the vendor of the goods or the vendor's agent, or
- the goods become wholly the property of the purchaser at the vendor's location and at the same time the risk of loss in the goods is assumed by the purchaser.

Handling and mailing charges:

Handling and mailing charges that are charged by a vendor for goods taxable to the purchaser, are themselves taxable whether shown separately or not on the vendor's invoice.

Rental of taxable goods:

Where delivery and handling charges are part of an agreement for the rental of taxable goods, such charges become part of the rental price upon which tax is payable.

The following examples illustrate the application of the above principles:

1. Retailer sells taxable goods to a customer and charges

separately for delivery, handling or mailing:

Generally the charges will be part of the fair value and taxable. Retail customers normally hold the vendor responsible for replacement of goods damaged or lost in the process of delivery. Consequently the risk of loss is not assumed by the purchaser until the goods are received by him and delivery, handling and mailing charges up to that point are therefore taxable.

2. *Purchaser acquires goods for resale and is charged for delivery by the vendor of the goods:*

Goods purchased for resale are exempt from tax to the purchaser. The delivery charge is therefore exempt from tax.

3. *Purchaser pays delivery or transportation charges directly to a carrier for delivery of goods purchased from a vendor:*
In this case the delivery or transportation charges are paid by the purchaser to a person who is not the vendor of the goods. The charges are therefore exempt.

4. *Vendor ships taxable goods by common carrier and charges customer for prepaid freight:*

If the purchaser assumes the risk of loss in the goods at the vendor's location and clearly understands that he will claim against the carrier for loss or damage in transit, then the freight charges are exempt from tax.

If the vendor is responsible for claiming from the carrier for loss or damage in transit, then the purchaser does not assume the risk of loss until the goods are delivered and the freight charges are taxable.

5. *C.O.D. Charges:*

C.O.D. charges for taxable goods paid directly by a purchaser to a carrier and not prepaid or invoiced by the vendor, are exempt from tax.

Prepaid C.O.D. charges for taxable goods, if identified separately and charged to the customer by the vendor, form part of the fair value of the goods and are taxable.

6. *Common carrier of goods and persons providing delivery service for others:*

It should be emphasized that it is the vendor of the goods who must charge and collect the tax in appropriate cases. Businesses which are providing delivery services only or are carriers of goods for others are not required to charge or collect tax on delivery or transportation charges.



GREENHOUSE OPERATORS

Effective March 8, 1978, the Regulations defining "farming" and "persons engaged in the business of farming" were amended to include commercial greenhouse operators, nurserymen and flower growers. The effect of the amendment is to extend to these operators and growers the exemptions already granted under the Retail Sales Tax Act to farmers.

The exemptions extended to farmers are for farm implements, farm machinery and farm equipment *designed for farm use*. Details of these exemptions and the method for purchasing exempt are contained in Retail Sales Tax Ruling 14 available at Retail Sales Tax District Offices.

Examples of items that qualify for exemption to greenhouse operators are:

- furnaces to heat greenhouses
- irrigation equipment for greenhouses
- thermal blankets for greenhouses
- ventilating fans for greenhouses
- hand implements for farm use

The exemptions available to farmers do not include building materials and structures such as greenhouses, barns and silos.



STORM DOORS AND STORM WINDOWS

Information Bulletin 1-78 announced that the exemption for energy conservation materials and equipment was being expanded to include storm doors and storm windows, effective March 8, 1978.

The following are included in the exemption:

- Single glazed doors and windows that are designed and sold as storm doors and storm windows for a building and are secondary doors and windows that create a dead air space to provide a thermal barrier for energy conservation.
- Double glazed windows and skylights which are designed and sold as double glazed units for a building and that create a dead air space between rigid or non-rigid panes as a thermal barrier.
- Hermetically sealed window units.
- Double glazed patio doors for a building.
- Patio doors with double track door systems, provided they incorporate a double glazed insulating feature.
- Storm window kits including a frame and material to be inserted into such frame.

Windows in the foregoing may consist of rigid or non-rigid material, e.g., glass, acrylic, plastic, that allow the passage of light.

The following are not included in the exemption:

- Primary single glazed windows and skylights.
- Steel, wood, single glass plate doors, insulated or non-insulated, that serve as primary doors.
- Repair parts for all doors and windows.



SHEET METAL MANUFACTURERS

As a result of the temporary reduction in the 7% rate of retail sales tax to 4%, the alternative calculations of tax available to sheet metal manufacturers, as described in Retail Sales Tax Ruling 4, are affected.

A sheet metal manufacturer may account for tax on self-manufactured products he uses in construction contracts in either of two ways:

1. *Apply the effective rate of tax to the actual manufactured cost of such products:*

- The effective rate of tax is 4% from April 11, 1978 to October 7, 1978, both dates inclusive.
- The 7% rate of tax will come back into effect on October 8, 1978.
- The manufactured cost shall include the costs of material, labour, plant overhead and the tax payable under The Excise Tax Act (Canada).

or

2. *Apply the appropriate percentage in the following table to the cost of material to arrive at the amount of tax.*

- The following percentages are effective from April 11, 1978 to October 7, 1978, both dates inclusive:

galvanized metal	8%	} times the cost of material
painted galvanized metal	6%	
copper	6%	
stainless steel	6%	
aluminum	7%	
roof deck	5%	

- The percentages that were in effect prior to April 11, 1978 and shown in Retail Sales Tax Ruling 4, will automatically come back into effect on October 8, 1978.



REVISED VENDOR RETURN CARD AND NEW "NOTIFICATION OF CHANGE" FORM

Commencing with the July, 1978, period end, the registered vendor return card will be revised to accommodate new processing equipment.

The revised format will assist vendors as follows:

- Simplifies the completion of the return card.
- Clarifies the calculation of a line 9 adjustment on the reverse of the return card.
- Provides the message "At Limit" once maximum compensation has been taken by the vendor.

In addition, a new "Notification of Change" Form will be enclosed with each return card for use in advising of a name or address change or a sale or discontinuance of a business.

REMINDER

- Vendors are reminded that retail sales tax is required to be shown separately from the sale price on any record, receipt, bill, invoice, ticket or other document kept or issued by the vendor.
- A vendor *may not* advertise or post or otherwise quote a price "tax included" without specifying separately the amount of tax.
- If vendors sell taxable goods, services or prices of admission without reference to the amount of tax, the price quoted is that to which the tax shall be added and collected.

FOR FURTHER INFORMATION CONSULT THE DISTRICT OFFICE IN YOUR AREA,
AS LISTED BELOW:

BELLEVILLE K8N 1E3	208 Dundas Street East 962-9108	ORILLIA L3V 6K5	19 Front Street North P.O. Box 670 325-9587	TORONTO M4P 1H6	2300 Yonge St., 10th Floor 487-7161
HAMILTON L8P 1B4	361 King Street West 528-8393	OTTAWA K1Z 7L7	1419 Carling Avenue Hampton Park Plaza 728-5887	WELLAND L3B 3Z7	76 Division Street 732-1318 (In St. Catharines and Niagara Falls, Call 688-1360 or 688-1368)
KITCHENER N2M 1N2	449 Belmont Ave. West 744-6318	SUDBURY P3A 1Z7	1536 LaSalle Blvd. 674-3151	WINDSOR N9A 6V9	250 Windsor Ave. 252-4404
LONDON N6C 4P4	310 Wellington Rd. 433-4033	THUNDER BAY P7C 5G6	435 James Street South P.O. Box 5000 Ontario Government Bldg. 475-1681		
NORTH BAY P1B 2H3	1500 Fisher Street Northgate Plaza 474-4900				